North Central Regional Transit District (NCRTD)
Resolution 2013 - 04

A Resolution Amending the Adopted Financial Policies

WHEREAS, the Board of Directors is the statutory governing body in and for the NCRTD and finds it in the best interest of the constituents of the NCRTD to establish polices to ensure the financial stability of the District; and

WHEREAS, the current NCRTD Financial Policies were adopted on October 9, 2009 and amended on July 15, 2011 and November 4, 2011; and

WHEREAS, the Board at their May 6, 2011 meeting reviewed the recommended NCRTD Transit Tax allocation formula also known as the "Los Alamos Formula" for funding of services meeting the Boards adopted definition of regional services and approved said allocation methodology; and

WHEREAS, the Board at their May 6, 2011 meeting instructed the staff to use a static allocation methodology to address the Long Term Financial Plan; and

WHEREAS, the Board used the Los Alamos Formula in developing the Fiscal Year 2012 Budget and established the amounts that would be reimbursable utilizing the Board's adopted cost allocation model; and

WHEREAS, pursuant to the Board's direction a Task Force consisting of the Financial Officers from the City of Santa Fe, and Los Alamos County and other members met for four months in 2011 to review and recommended to the Board a Long Term Financial Plan and static NCRTD Transit GRT allocation methodology for regional services; and

WHEREAS, at the Board's January 6, 2012 meeting the Board accepted the Long Range Financial Plan recommendations of the Task Force and concurred with the recommendation to continue to utilize the "Los Alamos Formula" as the preferred NCRTD Transit GRT allocation methodology for regional services; and

WHEREAS, the Board adopted the Fiscal Year 2013 Budget utilizing this adopted allocation methodology for establishing the funding of those member entities that provide regional services and whose service plans are submitted for approval by the Board; and

WHEREAS, the Board, after thorough consideration and several years of utilization of this formula, find's that it is prudent to amend the adopted Financial Policies by incorporating the following methodology into Section Two (2) Operating Program of the aforementioned policy along with accompanying policy language and other modifications in the amended Financial Policies attached hereto.

Entity	Percentage of Total Fiscal Year Adopted Projection of NCRTD Transit GRT Revenue
City of Santa Fe	14%
Los Alamos County	20%
Rail Runner	26%
NCRTD (Santa Fe County, Rio Arriba County, and Taos County)	40%

NOW THEREFORE BE IT RESOLVED BY THE NCRTD BOARD THAT THE ATTACHED FINANCIAL POLICIES SHALL BE AND ARE HEREBY ADOPTED, AMENDING THE CURRENT NCRTD FINANCIAL POLICIES, AND ARE APPROVED AND ADOPTED THIS 1st day of MARCH 2013.

Daniel Barrone, Chair

Approved as to form:

Peter Dwyer, Counsel

NORTH CENTRAL REGIONAL TRANSIT DISTRICT	
SUBJECT: Financial Policies	**NUMBER: Fin - 01**
EFFECTIVE DATE: March 1, 2013	**Adopted and amended by Board Resolution No.2011-10 on November 4, 2011 and 2013-04 on March 1, 2013.**
AMENDS/SUPERSEDES: **Policies adopted by Board on July 14, 2011 and November 4, 2011**	**APPROVED:** **ANTHONY J. MORTILLARO, EXECUTIVE DIRECTOR**

Purpose

The Financial Policies described herein are designed to provide a comprehensive framework for the management of financial resources for the North Central Regional Transit District (NCRTD). They provide guidelines for decision making by the NCRTD Board and management on how financial resources shall be utilized to fulfill the mission of the transit system, meet obligations and protect the public interest.

Objectives:

- Cost effective allocation and use of NCRTD financial resources in achieving the Districts mission.
- Compliance with applicable Federal and State laws, regulations and guidelines governing transit funding.
- Use of sound business and accounting practices in managing NCRTD financial affairs.
- Consistent financial practices, operational efficiencies and best practices.

1. Budgetary Policies

The adopted budget represents the ongoing commitment of the management and staff to operate and maintain the NCRTD in a fiscally sound manner according to the guidelines,

policies and direction set forth herein. The Budget spans a fiscal year (beginning July 1 and ending June 30) and contains operating and non-operating revenues and expenses, grants, capital expenditures and reserves for the District. The budget is an appropriation document that gives the District the authority to spend funds for operating expenses, other expenditures such as contracts and capital and reserves.

Each year, the District staff will develop a budget plan that will lead to the Board's review and adoption of the subsequent year's budget. The timing of this process will be consistent with the established strategy and priorities at the District and with statutory requirements.

The District will also prepare a ten-year Long Term Financial plan for the purpose of identifying future financial challenges. It will be updated annually concurrent with the development of the annual budget.

A budget calendar for the fiscal year is to be established to make clear deliverables and deadlines.

Each year the District will establish a budget by:

- Providing a comprehensive review of the Districts sources and uses of funds for operating and capital expenditures.
- Tailoring the budget process into an effective management tool for setting financial priorities and meeting strategic objectives.
- Ensuring that the budget manages financial resources in a manner that:
    - Is prudent and sustainable
    - Meets financial requirements of medium and long-term capital needs
- Producing budget information that is:
    - Clear, comprehensible and transparent to employees and constituencies
    - Accurate, timely, and easy to access
- Monitoring and analyzing revenues and expenditures throughout the fiscal year for compliance and accountability.
- A quarterly cash and investment report and monthly one-year cash flow forecast report will be prepared.
- Current appropriations for all funds are limited to the sum available, unrestricted cash balances and revenues estimated to be received in the current budget year.
- All District divisions will operate within the adopted budget. From time to time, the District will consider spending requests for new or expanded programs during the course of the fiscal year and, to the extent possible, such increases to current operations will be funded by reoccurring current revenues unless the request is for a one time activity that does not require an ongoing funding allocation. On occasion, there may be a need for Board action to draw funds from the Districts un-appropriated balance in order to meet unforeseen financial requirements.

- Capital assets owned by the District shall be maintained on a regular schedule. The District will recognize the impact of wear and tear of existing capital assets in the operating budget. Maintenance costs will be indentified and incorporated into the annual operating budget as necessary. These costs include items such as renovations, maintenance and service contracts.
- District funds will be reconciled at the close of the fiscal year to determine the available cash balance at year end.
- Reports to the Board shall include Fiscal Impact discussions as to how they may affect the budget plus the estimated cost and benefit of the program or service in the current and future years.

Budgetary Control:

Budget control is maintained at the departmental/divisional level. The Executive Director has the authority to approve appropriation transfers between programs, divisions or departments. In no case may total expenditures adopted for the fiscal year exceed that which is appropriated by the District Board without budget amendment.

2. Operating Program:

The District utilizes a general operating fund, which will be used to account for all financial transactions required for the current operation of the public transportation system. The two primary components of this fund are:

A. Operating Income (Income Sources)

- Operating income includes revenues derived from the Regional Transit Gross Receipts Transit tax (RT GRT), operating and capital assistance (federal and state funds), passenger fares, contractual reimbursements or contributions, interest income, and other miscellaneous sources of revenue.
    - For all federal transit grants awarded from New Mexico Department of Transportation (NMDOT), adherence to financial rules, regulations, and reporting will be complied with by NCRTD as per the New Mexico State Management Plan for the Administration of Federal Transit Grants, the annual Federal Transit Administration (FTA) Certifications and Assurances, and any subgrantee federal funding contract/memorandum of agreement with NMDOT.

- The District will continuously seek new revenues and will, to the extent consistent with its public transit objectives, pursue a diverse revenue base in an effort to maintain a stable revenue stream. Seeking revenue diversity will help shelter the District from short-term fluctuations in any one revenue source.

- Revenues from the RT GRT are tracked in a line item dedicated to that purpose. According to the ballot initiative that created the RT GRT, the funds are to be used to expand regional public transit in the four-county area. The District interprets this to mean that RT GRT funds should be used to implement approved service plans per Board adopted resolutions. Approved service plans may include, but are not limited to, establishing entirely new regional routes; increasing the frequency of service on existing routes; purchasing more and larger vehicles so more riders may avail themselves of public transit; converting pilot projects to regular services; and coordinating with other service providers, such as Santa Fe Trails, ~~the~~ Taos Chili Line, Atomic City Transit, the Rail Runner, and Park & Ride to improve services and strive to provide a seamless transit experience to those in the District's service area.

  The following definition has been adopted by the Board and will be utilized to ascertain whether a proposed regional route is eligible to be funded by RT GRT:

  1. It connects to a service that leaves the district such as the Rail Runner or Park & Ride; or
  2. It crosses a jurisdictional line between Members;
  3. It connects two or more Members;
  4. It is solely within a single Member's local area but directly connects both in time and location with a service or route that makes possible travel outside the local area to another Member's area;
  5. It connects two distinct and separate communities within one Member's area such as Questa and Red River in Taos County or Los Alamos and White Rock in Los Alamos County;
  6. The Board of Directors will annually review all service plans within the region in order to determine regional routes by the qualification stated above. The board will have the ability to add or eliminate routes based on criteria for efficiency within the District.

The following funding allocation method will be used to determine the amount of RT GRT that will be allocated toward Board approved services on an annual basis, as provided below.

Entity	Percentage of Total Fiscal Year Projected NCRTD Transit GRT Revenue
City of Santa Fe	14%
Los Alamos County	20%
Rail Runner	26%
NCRTD (Santa Fe County, Rio Arriba County, and Taos County)	40%

In the event that RT GRT revenue(s) do not materialize as projected in the adopted fiscal year budget, it is the Board's stated desire that funding for services will be retained to the extent feasible. In order to achieve this priority the Board will consider the adjustment of the percentage allocations described in the above allocation methodology excluding the Rail Runner whose funding is prescribed through an Intergovernmental Agreement dated February 2009. The modification in the revenue percentage allocations will be proportionate to the reduction in the RT GRT revenue.

It is also the Board's priority that as a last resort, transit services provided solely and directly by the NCRTD should not be reduced. In the event that such a reduction is likely, the Executive Director may recommend to the Board for its consideration the use of operating reserves to the extent necessary and without violating the Reserve Policy requirements herein.

~~**Place Holder for when the** Board adopts a methodology for the allocation of RT GRT~~

RT GRT revenue that is deemed to be reoccurring revenue and not allocated for regional routes is placed in the operating reserve balance and as such maybe be available for allocation in the following year for expanded service of regional routes as recommended by the Executive Director and adopted by the Board on the bases of the methodology for the allocation of RT GRT as described above. Prior to commitment of any remaining RT GRT reserve operating balance in the ensuing fiscal year to expanded regional service routes, these routes must be included in the requesting entities annual service plan and adopted by the NCRTD Board as well. In no event will these funds be allocated for new or expanded service regional routes if it will result in the diminishment of the reserve operating balance requirements as described within these policies or if it will impact the Districts ability to meet its capital equipment and infrastructure requirements.

The District is responsible for seeing that RT GRT funds are spent appropriately. For those entities operating their own transit services an invoice shall be submitted quarterly to the District requesting reimbursement of funds spent in accordance with RT GRT funded service plans and adopted cost allocation methodology. Invoices shall contain sufficient line-item detail to support the appropriateness of the expenditure and concurrence with the intended use of the funds. Upon receipt and review of the invoice, the District will reimburse the entity, provided sufficient RT GRT funds have been received.

B. In reference to Tribal Transit Funds if awarded by the Federal Transit Administration (FTA) to a Tribal Entity, the Tribal Entity maintains the authority to 1) utilize all Tribal Transit Funds received for Tribal Transit / Transportation Initiatives; 2) allocate through an agreement a portion of Tribal Transit Funds to the NCRTD; 3) allocate through an agreement all Tribal Transit Funds received to the NCRTD.

1) Tribe utilizes all FTA Tribal Transit Funds for Tribal Transit / Transportation Initiatives.
    a. No Agreement with the NCRTD.

2) Tribe allocates through an agreement a portion of FTA Tribal Transit Funds to the NCRTD. The process for managing these funds includes the following steps:
    a. Tribe determines a need for additional services requiring a portion of Tribal Transit funds be allocated through an agreement to the NCRTD to provide contracted transit services.
    b. The NCRTD will assess the additional services requested by the Tribe and provide the Tribe with a Scope of Work, Budget & Budget Narrative.
    c. The Tribe will review and make any necessary changes to documents and return to NCRTD for review and re-submittal.
    d. Upon agreement of transit services to be contracted to the NCRTD, the Tribe and NCRTD will sign a Professional Services Contract detailing agreement between Tribe as the recipient of FTA Tribal Transit Funds and the NCRTD as the sub contractor to include: Scope of Work, Budget, and Budget Narrative.
    e. Contract, Scope of Work, Budget and other Program Information will be entered into the Federal Transit Authority's (FTA) TEAM web system by the Tribe or authorized NCRTD personnel if stated in agreement.
    f. Reports: Quarterly Financial, Monthly Progress, Monthly Ridership Reports are submitted to the FTA / FederalReporting.gov / TEAM web portal and will be completed by Tribe or authorized NCRTD personnel. Copies of all reports will be sent to Tribe for record keeping if the NCRTD personnel perform the reporting requirements.
    g. Any changes or modifications to the Scope of Work, Budget, and Budget Narrative must be approved and documented by the Tribe prior to NCRTD changing services or requesting reimbursement or payment for services provided under agreement.
    h. The NCRTD will advances funds to cover operating costs of contracted transit services.
    i. NCRTD will submit a detailed "Invoice" of work, services performed and provided to the Tribe per Scope of Work and Agreement for approval and processing.
    j. Tribe will approve "Invoice" of work and services performed and provided by the NCRTD and request a drawdown from the FTA.
    k. Upon receipt of funds from the FTA, the Tribe within 7 days will process payment to the NCRTD.
    l. The Tribe and the NCRTD will meet periodically to evaluate the effectiveness of the services being provided, available budget, and discuss any necessary changes.

3) Tribe allocates through an agreement all FTA Tribal Transit Funds received to the NCRTD for the provision of contract transit services. The process for managing these funds includes the following steps:
    a. Tribe determines a need to allocate through an agreement all FTA Tribal Transit funds to the NCRTD for the provision of FTA funded contractual transit services to be continued.
    b. The NCRTD and the Tribe will assess current FTA funded services being provided to the Tribe and provide the Tribe with a Scope of Work, Budget and Budget Narrative of the FTA funded current services and how these funds will be utilized to continue transit services.
    c. The Tribe will review and make any necessary changes to documents and return them to the NCRTD for review and re-submittal.
    d. Upon agreement of transit services to be contracted to the NCRTD, the Tribe and NCRTD will sign a Professional Services Contract detailing agreement between Tribe as the recipient of FTA Tribal Transit Funds and the NCRTD as the sub contractor to include: Scope of Work, Budget, and Budget Narrative.
    e. Contract, Scope of Work, Budget and other Program Information will be entered into the Federal Transit Administration's (FTA) TEAM web system by the Tribe or authorized NCRTD personnel if stated in agreement.
    f. Reports: Quarterly Financial, Monthly Progress, Monthly Ridership Reports are submitted to the FTA / FederalReporting.gov / TEAM web portal and will be completed by Tribe or authorized NCRTD personnel. Copies of all reports will be sent to Tribe for record keeping if the NCRTD personnel perform the reporting requirements.
    g. Any changes or modifications to the Scope of Work, Budget, and Budget Narrative must be approved and documented by the Tribe prior to the NCRTD changing services or requesting reimbursement or payment for services provided under agreement.
    h. The NCRTD will advances funds to cover operating costs of contracted transit services.
    i. NCRTD will submit a detailed "Invoice" of work, services performed and provided to the Tribe per Scope of Work and Agreement for approval and processing.
    j. Tribe will approve "Invoice" of work and services performed and provided by the NCRTD and request a drawdown from the FTA.
    k. Upon receipt of funds from the FTA, the Tribe within 7 days will process payment to the NCRTD.
    l. The Tribe and the NCRTD will meet periodically to evaluate the effectiveness of the services being provided, available budget, and discuss any necessary changes.

Application Process:

1) When requested by Tribe, the NCRTD will assist with the Grant Application to include a set percentage (5%) for Administrative costs. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

2) The NCRTD, if requested and there is a signed agreement by all the Tribe's, will submit a Joint Application on behalf of the Tribe's in agreement. Prior to submittal of Joint Application, the Tribes will review and approve the Application, Scope of Work, Budget, and Budget Narrative being submitted on their behalf. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

3) The Tribe's on their own behalf may apply for Tribal Transit Funds. If the Grant is awarded the Tribal Transit Funds Policy will be utilized to manage these funds.

~~B.~~C. Operating Expenses

Operating expenses are defined as the day-to-day costs incurred for public transit delivery, administrative overhead, and other common and normal expenses.

~~C.~~D. Operating Balance (difference between operating income and operating expenses)

The operating balance is utilized to fund the capital program and reserve requirements.

~~D.~~E. Administrative Overhead Costs

Direct and Indirect costs that are incurred for common or joint purposes in support of transit service or capital programs. Costs are allocated to programs based on allocation methods which comply with Federal and State guidelines.

3. Reserve Policy

This Financial Reserve Policy contains polices that govern the management of the District's financial reserves in order to:

- Maintain access to capital markets and other sources of capital funding at the most efficient cost of funds for the District;
- Manage financial risks prudently by maintaining required and additional financial reserves to meet the Districts financial needs;
- Meet New Mexico State Department of Finance and Administration (DFA) requirements for minimum reserve balance requirements and any Board requirements;
- Meet or exceed all debt coverage requirements, if any; and

- Establish prudent levels of liquidity.

The District will maintain at all times one month of operating revenue as a cash reserve to meet its DFA requirements.

The District will seek to maintain at all times an amount equaling 25% of its operating revenue as a cash reserve which is inclusive of the DFA requirement.

4. Capital Program

The NCRTD Capital Investment Plan (CIP) shall describe capital expenditures to be incurred to meet capital needs arising from long-term plans, asset maintenance or other capital needs. It sets forth each project in which the NCRTD will be involved and specifies the resources estimated to be available or required to finance the projected expenditures. The Executive Director shall submit to the NCRTD Board a proposed Capital Investment Plan prior to or in conjunction with the annual proposed budget. The Board shall approve the CIP no later than June 1 of each year. In the event that this date falls on a weekend, the preceding Friday shall prevail.

A. The Executive Director reviews all District capital projects to be recommended for inclusion in the CIP subject to the oversight and approval of the Board. In this capacity the Executive Director or a designee will:

   a. Affirm the linkage between proposed Capital Projects and the Districts strategic goals and objectives;
   b. Asses the linkage between the capital and operating budgets to ensure appropriate allocation of resources;
   c. Reaffirm the validity of a proposed CIP for annual approval by the District Board;
   d. Provide discipline and enforcement to the approved CIP;
   e. Monitor the progress of Capital Projects. Major changes in project scope or direction shall be presented to the Board for approval;
   f. Review the qualitative and quantitative (including financial analysis) evaluation of Capital Projects to determine the priority of projects;
   g. Review, assess and approve or deny the placement of proposed Capital Projects on the CIP;
   h. Review CIP policies and procedures periodically and implementing changes as necessary;
   i. Provide a mechanism for financial and resource planning for the District;
   j. Authorize total project cost and fiscal year cost allocation changes.

B. The CIP is a planning document only. Any appropriations for specific project must be approved by the Board during the annual budget process.

C. The Districts CIP either creates a new asset or significantly extends the life of an existing asset.

D. Large Capital equipment purchases may be included in the CIP.

E. The Districts Capital Program will be used to account for the planning/design, acquisition, construction and reconstruction/rehabilitation of major capital facilities and equipment. It may include Federal and State grants as well as local funds to be used for capital acquisition and construction with and without benefit of grant funding including transfers from the Annual Operating Reserve Balance, project-related reimbursements, debt financing or other sources of capital funding.

F. Capital Expenditures are defined as expenditures incurred to meet capital needs arising from the District CIP, asset capital maintenance or other capital needs.

G. Capital Expenditure

a) Items/acquisitions that have a useful life in excess of one year and an acquisition cost of greater than or equal to $5,000.

b) Direct and eligible indirect costs, which are related and add value to a capital project, shall also be defined as capital expenditures.

H. Capital Performance Policy Objectives

a. The NCRTD will seek to obtain maximum Federal and State financing by pursing all appropriate funding available for public transportation systems.

b. A portion of the annual CIP will be allocated to the proper maintenance of the Districts capital assets including regular replacement of the fleet and equipment and the rehabilitation or replacement of facilities.

I. Capital Investment Plan Funding

Funding of the CIP will endeavor to fund capital needs from a combination of sources including:

- Pay-as-you–Go (cash funded, PAYGO)
- Grants from Federal/State/Other Sources
- Debt Financing and special loans

The CIP funding strategy will emphasize the use of PAYGO as a means to meet transit funding requirements with debt used as a secondary source. The level of PAYGO funding will be dependent on a number of factors including availability

of funds from the RT GRT and other sources, the appropriate levels of retained fund balances, economic and other factors.

5. Debt Policy

The purpose of the Debt Policy is to establish guidelines for the issuance and management of the Districts debt. The District has the ability to issue debt under its statutory authority. This Debt Policy confirms the commitment of the Board, management, staff, advisors and other decision makers to adhere to sound financial management practices, including full and timely repayment of all borrowings, and achieving an appropriate level of capital within prudent risk parameters. The following objectives of the Debt Policy include the following:

- Obtain and maintain a high credit rating;
- Provide for an efficient overall cost of borrowing for the District;
- Provide specific guidelines with respect to the overall management of debt if incurred;
- Set forth a process for selecting various consultants who will assist the District in the issuance and management of the Districts debt;
- Support for the District's strategic plan objectives;

This Debt Policy shall govern the issuance and management of all debt and lease financings (excludes small item leasing such as copiers, etc…) funded from the capital markets, and shall include all obligations including investment of bond proceeds.

While adherence to this Debt Policy is required in applicable circumstances, the District recognized that changes in capital markets and unforeseen circumstances may produce situations that are not covered by the Debt Policy or require modifications or exceptions to achieve Debt Policy goals. In these cases, specific authorization from the Board is necessary to provide management appropriate flexibility. However, long term debt will be used on an as needed basis to fund the Districts capital investment needs.

The Debt Policy requires that each debt be specifically authorized by the District Board.

Debt Financing:

i. Principal maturity for debt will be linked to asset life and will not exceed thirty (30) years.
ii. Variable rate or other short term maturing debt maybe issued for capital purposes in anticipation of receipt of approved Federal and/or State grants, with the goal of repaying a portion or all of the debt issued upon receipt of funds.
iii. Issuance of debt must be linked to:

1. Adequate encumbrance capacity to let contracts for the entire capital program in the most effective sequence.
2. Cash flow requirements.
3. Fund balance to guard against anticipated/unanticipated risks

iv. RT GRT will be used for the payment of annual debt service costs.
v. Debt will not be used for annual operating costs.

Lease Financing:

Lease obligations are a routine and appropriate means of financing capital equipment. These types of obligations maybe considered for equipment and assets that are not financed as a cost item under normal operating expenditures. The useful life of the equipment, the terms and conditions of the lease, and the direct impact on debt capacity and budget flexibility will be evaluated prior to the implementation of a lease program. Efforts will be made to fund capital equipment with a pay-as-you-go financing where feasible. Cash flow sufficiency, capital program requirements, lease program structures and cast and market factors will be considered in conjunction with a pay-as-you-go strategy in lieu of financing. Short-term equipment leases that do not access the capital markets are not covered by this policy.

Debt Service Coverage Ratios:

Debt Service coverage ratios establish a guideline for levels of annual operating costs relative to current and future debt service costs. This performance objective for Net debt service coverage is that the Operating Balance shall be greater than 1.25 times the annual debt service cost; however, the actual terms and conditions specific to each bond issue are controlled by the bond documents.

The net debt service coverage ratio is calculated as follows:

i. Operating income less operating expense equals the operating balance
ii. Operating balance divided by the annual debt service costs equals net debt service coverage ratio

The performance objective for Gross debt service coverage ratio (i.e. annual regional transit gross receipts tax/annual cumulative debt service cost) shall be maintained at a minimum of 3.0 times.

The maintenance of a debt service coverage ratio together with other performance measures provides multiple measures for the financial soundness of the NCRTD.

Refunding Bonds:

A present value analysis must be prepared that identifies the economic effects of any refunding to be proposed to the Board. It is acknowledged that some refunding may be executed for other than economic purposes, such as to restructure debt, change the type of debt instruments being used, or to retire a bond issue and indenture in order to achieve more desirable covenants. Approval by the Board is required for any refunding.

Method of Bond Sale:

The District will generally utilize a competitive sale process when complex bond structuring and marketing requirements are not an issue and the perceived pricing differential between competitive and negotiated sale is negligible. There are three potential methods of sale: competitive, negotiated, and private placement. Each type of bond sale has the potential to provide the lowest cost given the right conditions. The conditions under which each type of bond sale is best used are provided below. All or some of the conditions discussed will affect the method of sale.

A. Competitive Sale

1. Bond prices are stable and/or demand is strong.
2. Issuer has a strong credit rating.
3. Issuer is well known to investors.
4. There are no complex explanations required during marketing, regarding: issuer's projects, media coverage, political structure, political support, funding, or credit quality.
5. The bond type and structural features are conventional.
6. Bond insurance is included or pre-qualified (available).
7. Manageable transaction size.
8. Market timing and interest rate sensitivity are not critical to the pricing.

B. Negotiated Sale

1. Bond prices are volatile and/or demand is weak or supply of competing bonds is high.
2. Market timing is important, such as for refunding.
3. Coordination of multiple components of the financing is required.
4. Issuer has lower or weakening credit rating.
5. Issuer is not well known to investors.
6. Sale and marketing of the bonds will require complex explanations about the issuer's projects, media coverage, political structure, political support, funding, or credit quality.

7. The bond type and/or structural features are non-standard, such as for a forward bond sale, issuance of variable rate bonds or where there is use of derivative products.
8. Bond insurance is not available or not offered.
9. Early structuring and market participation by underwriters desired.
10. Pre-qualified underwriter's pool.
11. Large transaction size.
12. Expected high retail demand.

C. Private Placement

A Private Placement is a sale that is structured specifically for one purchaser such as a bank. The District reserves the right to privately place its securities if the need arises. Furthermore, any member of the active underwriting pool who presents the District with a cost savings financing plan, will be awarded to manage the financing/restructuring transaction.

Bond Consultants:

The District will select its financial advisors and its bond counsel by competitive process through a Request for Proposals (RFP). The District's contracting policies, which are in effect at the time, will apply to all contracts with finance professionals. Selection may be based on a best value approach for professional services or the lowest responsive cost effective bid based upon pre-determined criteria.

All financial advisors, bond counsel and underwriters will be selected through a Request for Proposals (RFP) or Request for Qualifications (RFQ) process, whichever is most appropriate given the circumstances. In isolated instances, such contracts may be awarded on a sole source basis if it is clear that a RFP/RFQ process would not be feasible or in the District's interests.

Financial Advisors:

The District may retain one or more financial advisory firms to provide general advice on the District's debt management program, financial condition, budget options, arbitrage rebate review, and rating agency relations. Additionally, a financial advisor may assist with the structuring of the District's Revenue Bond issuances and may be used on an as-needed basis to provide financial advisory services that do not fall into the other categories of District debt obligations.

Financing Teams:

Financial advisors, bond counsel, and underwriters, where applicable, will be selected through a competitive process. Depending on particular expertise and consultant availability, some firms may be used on more than one program. However, efforts will be made to establish different teams to provide a number of firms the opportunity to participate in District contracts.

Bond Counsel:

The District debt will include a written opinion by legal counsel affirming that the District is authorized to issue the proposed debt, that the District has met all constitutional and statutory requirements necessary for issuance, and a determination of the proposed debt's federal and state income tax status. An appropriately experienced bond counsel firm (or firms) will prepare this approving opinion and other documents relating to the issuance of debt with extensive experience in public finance.

Disclosure Counsel:

The District will hire Disclosure Counsel(s) to prepare official statements in the event of any debt restructuring/refinancing or new bond issue. Disclosure Counsel(s) will be responsible for ensuring that the official statement complies with all applicable rules, regulations and guidelines. Disclosure Counsel(s) will be a well recognized firm(s) with extensive experience in public finance.

Disclosure by Financing Team Members:

The District expects that all of its financial advisory team will at all times provide the District with objective advice and analysis, maintain the confidentiality of the financial plans if required, and be free from any conflicts of interest. All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties that could compromise any firm's ability to provide independent advice that is solely in the best interests of the District or that could be perceived as a conflict of interest. The extent of disclosure may vary depending on the nature of the transaction.

Note: The aforementioned financial performance measures are established as policy objectives for the District management to strive to achieve in managing the affairs of the District and may be temporarily suspended, modified or amended upon management review and Board approval.

6. Investment Policy

It is the policy of the NCRTD to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District and conforming to all state statutes governing the investment of public funds.

Delegation of Authority

Responsibility for the management of the District's investment portfolio is delegated to the Districts Finance Manager by the Executive Director. The District's Finance Manager will establish and maintain written procedures for the operation of the cash management and investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Manager.

Prudent Person Rule

Investments on behalf of the District will be made in accordance with the "prudent person" rule; i.e. investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Scope of Policy

Unless otherwise noted, this investment policy will apply in its entirety to all monies of the District over which it has direct control as well as those funds that the District is responsible for as custodian and/or trustee.

Investment Objectives

The District seeks to balance three primary objectives for its cash portfolio:

- Maintaining sufficient liquidity to meet financial obligations;
- Earning a market rate of return (subject to permitted investment constraints); and
- Diversifying investments among asset classes to ensure safety of principal.

The liquidity goal is achieved by matching investment maturities with the expected timing of obligations. Attainment of a market return is measured by benchmarking the portfolio against a relevant market index. Diversification (safety) is accomplished through implementation of a strategic asset allocation, derived from modern portfolio theory concepts.

Performance Standards

The Districts' objective is to obtain a market average rate of return throughout budgetary and economic cycles that corresponds with invest risk constraints and cash flow needs.

The Districts investment strategy is passive. Given this strategy, the Finance Manager shall determine whether market yields are being achieved by comparing the average District portfolio yield to the 90 day U.S. Treasury Bill or the treasury security that most closely matches the duration of the portfolio.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and officials who are involved in investing public funds or have the authority to decide how public funds are invested shall disclose to the District Board any material financial interests in financial institutions that conduct business within the Districts jurisdiction, and they shall further disclose the conduct of personal business with, receipt of pecuniary benefit from, or financial interest they have in any entities in which investments are being made.

1. Permitted Investments (any investment not mentioned herein is prohibited)

    i. Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by , the United States of America or certificates or receipts established by the United States government or its agencies or instrumentalities representing direct ownership of future interest or principal payments on direction obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities, the obligations of which are backed by the full faith and credit of the United States.
    ii. Accounts, certificates of deposit and time deposits with banks and savings banks located in the District's service area provided that the collateral securing the investment permitted by this paragraph, are secured by the FDIC.
    iii. Bonds or securities of the State of New Mexico or of any agency or political subdivision or school district thereof which has a taxable valuation of real property for the last year of at least one million dollars and has not defaulted in the payment of interest or sinking fund obligation or failed to pay any bonds at maturity at any time within five years preceding the date of investment.

iv. The "short-term investment fund" described in Section 6-10-10.1 N.M.S. A. 1978 or other similar pooled funds maintained by the State of New Mexico for the investment of public funds of the local public bodies of the state.
v. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection (G) of Section 6-7-8 NMSA 1978.
vi. Any other investment permitted at the time of the investment by a statue of the State of New Mexico for public entities.

2. Funds available for investment for more than one year, including monies appropriated to permanent and irrevocable trust funds may be invested as provided in Section 6-10-10.G NMSA 1978. The Investment Officer shall conduct a thorough investigation prior to investing in any pool or fund and on a continuing basis once an investment is made. Information gathered will include a written statement of policy and objectives, eligible securities, interest calculation and distribution, securities settlement and safekeeping, handling gains/losses, audit opinions, and fee schedules and statements.

3. Collateralization

New Mexico state law require that all certificates of deposit, money market, checking accounts, and any other investments not backed by the full faith and credit of the United States Government, other than investments in the New Mexico State Investment Council long-term investment funds, be secured by pledged collateral of at least 50 percent of the current market value. This collateral will be pledged in the name of the District and held by a third party institution, Federal Reserve Bank, or by a trust institution within the same bank as approved by the Financial Manager. The institution will issue safekeeping receipts to the District for securities held by a third party. The District will require that at all times; pledged collateral will be equal to, or greater than, 50 percent of the current market value of the Districts' applicable investments.

4. Selection of appropriate Investments

i. Individual investments are selected to meet anticipated cash flow requirements and provide adequate liquidity. Within this cash flow perspective, the investment manager will select those securities that will best meet the District's overall portfolio strategy.

ii. Criteria for selecting investments and the order of priority are:

1. Safety. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The objective is to select only those investments that seek to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and market risk.

2. Liquidity. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing principal or interest. Liquidity is an important investment quality, especially when the need for unexpected funds occurs. The objective is to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated within one hundred and eighty (180) days.

3. Yield. Yield is the potential dollar earnings an investment can provide, also referred to as the rate of return. The objective is to attain a rate of return that equals or exceeds the yield for the three month treasury bill.

5. Diversification

The District will diversify its use of investment instruments to eliminate nonsystematic risk. Strategic and tactical asset allocations shall be determined and revised periodically. In establishing asset allocations strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity range. With the exception of U. S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested in a single sector or with a single financial institution or in a single maturity range. Maturities selected shall provide for stability of income and reasonable liquidity.

1. Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments.
2. Interest rate risk shall be controlled through duration management such that overall portfolio duration is set to a target based on existing market interest rates and rate expectations.

Selection of Brokers/Dealers

The Financial Manager shall develop and maintain a list of banks and securities dealers approved for securities transactions initiated by the district, and it shall be the policy of the District to purchase securities only from those authorized firms. To be eligible, a firm must meet at least one of the following criteria:

1. Be recognized as a Primary Dealer by the Federal Reserve Bank of New York or have a Primary Dealer within its holding company structure,
2. Report voluntarily to the Federal Reserve Bank of New York,
3. Qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The Finance Manager will select broker/dealers on the basis of their expertise in public investing and their ability to provide service to the Districts account. Each authorized broker/dealer shall be required to submit and annually update a District approved Broker/Dealer Information Request form that includes the firm's most recent financial statements.

Approved broker/dealers shall attest in writing that they have received and read this Policy.

Safekeeping and Transaction Settlement

The Financial Manager shall approve one or more financial institutions to provide securities safekeeping services for the District. All investment securities purchased by the District will be held in third-party safekeeping by the District's safekeeping agent. The District's safekeeping agent will be required to furnish the District a list of holdings on at least a monthly basis. The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. Ownership of all securities shall be perfected in the name of the District. Sufficient evidence to title shall be consistent with modern investment, banking, and commercial practices.

Competitive Transactions

Securities purchases and sales will be executed after obtaining at least two competitive bids or offerings whenever feasible. If the District is offered a security for which competitive offerings cannot be obtained, quotations for comparable securities will be documented

7. Risk Management Policy

The District is to be protected to a prudent extent against liability or loss, which could significantly affect personnel, property, finances or the ability of the District to continue to fulfill its responsibilities as a regional transit entity. This is to be accomplished through the continuous identification, analysis, and control of risk exposures, the determination of the best methods of preventing or limiting losses and the section of the most economical method of insurance or other means.

Policy

I. After identification of loss potential and development of loss prevention programs, the mitigation of the financial impact of loss, as it may occur, shall be based on the most economical method of providing funds to meet the obligations of the District and to restore its facilities and/or equipment.

II. Risk management techniques shall include:

a. Assumption of loss

b. Use of available government programs

c. Purchase of insurance

d. Any other program that will provide the District with the most economical method of financing losses

III. The purchase of insurance shall be considered when:

a. The estimate of the cost of potential loss exceeds an amount considered as an allowable retention of risk and there are no other techniques available at a lesser cost

b. Services of loss adjustment and loss prevention are best secured through an insured program

c. Legal or contractual obligations require insurance

8. Periodic Review and Amendment

The Financial Policies delineated herein shall be subject to review and revision by the District at least every three (3) years. This does not preclude the District from revising specific policies included herein nor from adding policies should the District determine that the best interest of the public and/or NCRTD would be served by making such a revision.

Amendments or revision to these financial policies may be initiated or proposed by any member of the District Board or by the Executive Director of the NCRTD.
Proposed amendments or revisions to these Financial Policies shall be first presented to and reviewed by the Board's Finance and Consolidation Subcommittee. The Subcommittee shall make a recommendation on any proposed amendment or revision to the District Board.

The District Board must approve any amendment or revision by majority vote before said amendment or revision shall become official policy of the NCRTD.

9. Management Reporting Requirements

The Executive Director will provide the District Board with an annual report on the Districts actual versus budget performance at the end of the fiscal year once the books have closed.

North Central Regional Transit District
Board Meeting
Friday, May 6, 2011

1. CALL TO ORDER:

A regular monthly meeting of the North Central Regional Transit District Board was called to order on the above date by Chair Rosemary Romero at 1:00 p.m. at Buffalo Thunder Resort, Barranca Room, Pojoaque, New Mexico.

a. Pledge of Allegiance

b. Moment of Silence

c. Roll Call

Roll call indicated the presence of a quorum as follows:

Members Present:	Elected Members	Alternate Designees
Los Alamos County	Councilor Michael Wismer	Ms. Anne Laurent
Rio Arriba County	Commissioner Barney Trujillo	Mr. Tomás Campos
Taos County		[T] Mr. Jacob Caldwell
Santa Fé County	[T] Commissioner Robert Anaya	Ms. Penny Ellis-Green
Pojoaque Pueblo	Mr. Tim Vigil	
San Ildefonso Pueblo	[T]Councilman Raymond Martínez	

Ohkay Owingeh		
Santa Clara Pueblo		
Tesuque Pueblo	Governor Charles Dorame	Former Gov. Milton Herrera
City of Santa Fé	Councilor Rosemary Romero	Ms. Judith Amer
City of Española	Councilor Robert Seeds	
Members Absent:	**Elected Members**	**Alternate Designees**
Los Alamos County		
Taos County	Commissioner Dan Barrone	
Santa Fé County		
Pojoaque Pueblo		Councilman Cameron Martínez
San Ildefonso Pueblo		Ms. Sandra Maes
Ohkay Owingeh	1st Lt. Gov. Virgil Cata	Ms. Kateri Keevama
Santa Clara Pueblo	Sheriff John Shije	Ms. Mary Lou Quintana
Tesuque Pueblo		
City of Española		Councilor Helen Kane-Salazar

Staff Members Present
Mr. Jack Valencia, Transit Project Manager
Ms. Cynthia Halfar, Executive Assistant
Mr. Peter Dwyer, Counsel for NCRTD
Ms. Berlinda Ledoux, Financial Manager
Ms. Annette Velarde, Public Information Officer
Mr. Pat López, Financial Analyst
Mr. Michael Molina, Driver
Mr. Nick Molina, Driver
Mr. Tony Mortillaro, Consultant

Others Present
Mr. Andrew Jandàček, Santa Fé County
Mr. Bruce Poster, SW Planning and Marketing
Mr. Antoine Broustra, SW Planning and Marketing
Mr. Greg White, NMDOT

Mr. Vener thought it was a good conversation to have. There were certain things that needed to be more thorough. Maybe the Board wanted some agreed upon procedures. You could identify specific concerns for extra work. It would be good to have that communication.

Chair Romero said in understanding the repeats the Board wanted to make sure that management was working well and going to the next level. So Ms. Muniz put the processes into place and maybe the Board should have Ms. Muniz report on the policies that were in place to address all of them at the board meetings - what she had done to address each of them. Mr. Vener agreed.

Chair Romero said her goal was to find those resolved.

Chair Romero welcomed Governor Dorame.

Governor Dorame apologized for being late. There was our alt rep. Former Gov Milton Herrera from Tesuque. They would be tag team to make sure they were covered.

Chair Romero thanked them.

Mr. López said regarding the federal grants that they instituted a grant tracking system in the software to keep track of them.

Mr. Campos asked if NCRTD had an IRS audit conducted yet. He knew several government entities recently had the IRS come by to audit personnel records.

Chair Romero said the RTD had not.

PUBLIC COMMENT

Ms. Carol Raymond asked when the public would get the audit report.

Mr. Valencia said the report was now available electronically from the web site.

Mr. Vener said it was at the State Auditor's website too.

Chair Romero thanked Mr. Vener for coming.

Mr. Vener thanked the Board for the opportunity to address it.

D. Funding Allocation and Long Term Financial Plan

Mr. Mortillaro reported that the Finance Subcommittee met on April 15th and discussed two options: one was a percentage option proposed by Los Alamos and the other was labeled Option 5 and was a fixed amount based on service routes. They analyzed the long term effect of both options.

Mr. Mortillaro referred to page 2 of the memo for the options. The Los Alamos proposal was shown first and Option 5 was on page 3.

5-A and 5-B were differentiated by the capital allocation. On page 4 they were integrated and the long term effect was shown.

Based on the analysis on page 5 for FY 12, the current budget cycle, the Subcommittee recommended utilizing the Los Alamos percentage-based formula to calculate the fixed amount as shown on the chart on the next page.

The next recommendation was to utilize it only for FY 12 and to further discuss the matter for FY 13-FY 20. There were problems long term so they needed to discuss the realities of how to address any deficits that might occur. How they addressed them was a difficult discussion. Hopefully the economy would improve but right now based on what they saw, it would be challenging.

The third recommendation was to expand the Subcommittee to include staff of regional entities to find a final recommendation for the long term financial plan.

He thought it was a good compromise approach. Most of the funding sources were still intact and the staff could proceed using those numbers for recommending the budget.

Councilor Wismer added that they started this a few months ago with goal to simplify and through it have a good recommendation to submit.

As they rolled up their sleeves on this process it became clear that the long range plan was the next vital step. They were keeping the regional routes and keeping the commitment to Santa Fé but the long range projections were disturbing. As a clarification on that last part, he proposed a task force be formed to come up with the long range plan. Los Alamos would commit to having their financial staff work with Mr. Mortillaro or a new Executive Director to put the financial experts together and try to flesh out a long range plan that looked forward 10 years.

Mr. Valencia said staff embraces that opportunity and bringing financial officers to the table would help greatly and enable them to bring their economic projections to the task.

Councilor Seeds asked if that meant no routes would be eliminated and no new routes would be added. Councilor Wismer and Mr. Mortillaro agreed.

Councilor Seeds asked what would happen with the Edgewood route Commissioner Anaya proposed.

Mr. Valencia said they met with the RPA last week and advanced those proposals there with a preliminary budget. If the RPA advanced it in their funding scenario then it could be considered. There was an opportunity there, depending on Commissioner Anaya's progress with the RPA.

Mr. Andrew Jandàček confirmed that Santa Fé County staff were working on information about it. At this point staff had been directed to respond to the RPA request, looking at current services and at GRT to

consider the additional routes suggested. Staff had not been given any other direction by RPA so he would provide that information at their next meeting.

Chair Romero repeated his comments. There were two other routes proposed by Liz Stefanics and those would all be discussed at next RPA. So it was being evaluated through this process.

Mr. Valencia saw it as a moving target. They were moving forward with the status quo and awaiting the RPA report. They were also reaching out to tribal members and this would have to conclude at the end of the month. Submittals to DFA were needed and those must be finalized.

Commissioner Anaya clarified that the RPA was going to look at all the routes including the proposed routes. Then a recommendation would be made.

Chair Romero agreed and thanked him for that correction. They were under a tight time line.

Mr. Jandàček said there were two routes proposed from the RPA - Edgewood and Golden routes. The addition was a special route that staff felt would not qualify as a regional route.

Commissioner Trujillo asked for clarification on Mr. Mortillaro's recommendation.

Mr. Mortillaro explained that as stated on page 5 it only applied to the FY 12 allocation and would be presented next month to use the Los Alamos proposal. This year they budgeted $1.6 million. They wouldn't necessarily get this much cost allocation. They based it on what they anticipated, based on two quarters and it would probably be greater. So Los Alamos would be about $1.3 million by end of year based on reimbursement.

Ms. Laurent said that was correct but clarified that $1.3 million was already in place prior to this.

Mr. Mortillaro said they used the percentages to calculate the fixed amount to put in the budget that each entity could count on receiving in FY 12. And it included a capital allocation that they could use and add it to their regional routes and capital allocation. So it was a percentage to get to a fixed number. If more money came in, it would go into the reserve. They could address that reserve amount through the financial policy so they didn't need to worry about that part now.

The other recommendation was to have a task force for FY 13 and beyond. There were only two sources - federal and GRT. They planned a flat federal amount. Everyone knew what was happening with GRT in the communities. That was all they had. They needed to deal strategically now for that. He hoped things would improve. Right now it didn't look optimistic. That was the essence of the recommendations.

Councilor Seeds asked if projections were lower than normal for GRT and how these numbers compared with what they were receiving.

Mr. López said they projected $6.8 million from GRT - a slight increase in GRT.

Chair Romero noted that the original budget was very conservative and they didn't want to project higher. That was the saving grace in it.

Mr. Mortillaro felt it was hard to discern how much non-reoccurring GRT (one project) was. They decided they needed to take a really conservative approach and he was glad they did and were not being overly optimistic.

Councilor Seeds recalled at the Los Alamos meeting there was an impression that the NCRTD would cut routes. He wanted to confirm that they were not cutting any of them now.

Mr. Valencia agreed but noted that the NCRTD was not the approving body for RPA. They could shift their routes.

Chair Romero said the RPA would make recommendations to the NCRTD Board for final approval. Mr. Jandàček was analyzing all of them now.

Mr. Jandàček agreed.

PUBLIC COMMENT

Mr. Pete Sheehey said he and his wife were regular users of the transit system. They also supported the revenue sharing Los Alamos was doing. That said, they were politically active and could get the votes in their county for continuing transit but this operation had to be transparent, efficient, and fair. If so, he felt they could get the votes. Unless the voters saw that, it would be hard to get support. He said they would do their best if the NCRTD provided those three things.

Ms. Carol Raymond said she had some questions. She asked if the motion on the table affected FY 12. Mr. Mortillaro agreed that it did.

Ms. Raymond asked if the long term plans included the Los Alamos proposal for a long range plan. She asked how these numbers compared with what was in place now. She felt they only got part of the answer. She didn't know how the 12% compared in Santa Fé and how the Rail Runner at 26% compared with GRT.

Mr. Ron Moses, a member of the Transportation Board in Los Alamos congratulated the Board for working through this compromise proposal. He used the public transportation in Los Alamos. He personally used the Atomic Transit, Park and Ride and the Rail Runner occasionally. He expressed strong support for it and for maintaining regional expansion in Los Alamos. He especially supported the White Rock routes which were incredibly efficient. He expressed support also for the whole region doing its best trying to integrate all of our communities.

Mr. Valencia said in response that the allocation was approximately $1.415 million for Los Alamos where last year there was $1.6 million in the budget. This year showed $952,000 for Santa Fé City and this past year was $950,000. RTD had $2.5 million this year compared with $2.8 million last year.

Commissioner Trujillo moved to approve the recommendation for FY2012 using the task force approach. Councilor Seeds seconded the motion.

Commissioner Trujillo agreed with it. He asked about a maximum number of people on it. Chair Romero said it sounded like two from each entity.

Councilor Wismer thought they were doing the right thing. In Los Alamos the transit system galvanized the people there.

Councilor Seeds also thanked the gentleman from Los Alamos coming to speak to us and hoped they would do the three things he recommended.

Chair Romero acknowledged there was a certain amount of compromise and this was a lot of work. They had the GRT in place for ten years and they were being efficient with the money to work with and were putting policies in place for that. The City of Santa Fé had a deficit of several million dollars and the Council was considering alternatives including an increased property tax. So she commended the Board on reaching resolution on this issue.

The motion passed by unanimous voice vote with no abstentions and no one opposed.

4. DISCUSSION ITEMS

E. Update of the Jim West Regional Transit Center

Mr. Valencia provided an update. The slab was being done and cutouts for steel posts and windows. At the time they awarded the contract they had some alternates in the budget if additional monies were found. In the partnership, there might be additional monies and possibly they could consider some alternates. He was excited about the progress.

Chair Romero said the Board would do another field trip.

F. Finance/Regional Coordination & Consolidation Subcommittee Report

Mr. Caldwell reported on the meeting. He described it as lively and was glad to hear they were getting somewhere on it. The minutes of the meeting were in the packet.

Chair Romero didn't think it needed a summary.

Mr. Valencia appreciated the work of the people in the consolidation effort.

G. Executive Report for April 2011

RTD
SERVING NORTH CENTRAL NEW MEXICO

Board Action and Executive Summary

Item D.

For Meeting of May 6, 2011

TITLE: Funding Allocation

PURPOSE(S) OF ACTION: To achieve long term sustainable funding for the NCRTD

Name of Drafter:		Department:		Phone:	
Department	Signature	Phone	Department	Signature	Phone
Staff		438-3257	Executive and Finance		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

This issue was discussed at the April 15, 2011 Finance and Consolidation Subcommittee meeting. The Consultant Tony Mortillaro undertook an analysis of the two options that were of interest to the Board Members in attendance.

These options were the Proposed Alternative Consolidated NCRTD GRT funding allocation methodology proposed by Los Alamos County, and Option 5 that was presented as an additional option for consideration. The following is a summary:

SUPPORT INFORMATION:

From Tony Mortillaro, NCRTD Consultant:

1. Interoffice Memorandum "Review of Cost Allocation Options from April 15th Finance Subcommittee Meeting"
2. Los Alamos Proposed Funding Allocation

From Los Alamos County:

3. Powerpoint handout from April 15th Finance Subcommittee meeting "Consolidated Budget Discussion"
4. Proposed Alternate Option for Consolidated GRT Funding and Allocation

OPTIONS / ALTERNATIVES/RECOMMENDATION(S)

1. **For the FY 2012 Budget** it is recommended that the Los Alamos County proposed percentage based formula be used to calculate the fixed amount to be budgeted for Los Alamos County, City of Santa Fe and the Regional Transit District which includes (Santa Fe County, Rio Arriba County and Taos County).

2. It is further recommended that the use of the Los Alamos County calculation **only be adopted for FY 2012 Budget.**

3. It is **recommended that the further discussions occur** regarding a static allocation methodology to address the estimated deficit in the Long Term Financial Plan for FY 2013 through FY 2020. It is suggested that this methodology be considered in the context of the Long Term Financial Plan and that adoption be considered by the Board no later than December 2011 and in advance of preparation of a proposed FY 2013 Budget. Accompanying this Long Term Financial Plan will be the revised financial policies for Board consideration.

4. It is **further recommended that a task force or expansion of the sub-committee** to include staff of regional entities to participate in discussion and final recommendation of the District's Long Term Financial Plan. The following dates coincide with normal, and projected Finance sub-committee dates for staff, board, and consultant to work through assumptions and obtain a greater familiarization of the effects of the 10 year financial projections and future allocations. Dates for meetings: August 19, September 16, October 21, November 18 and consideration of adoption at the December 2, 2011 Board Meeting.

(Continue on additional sheets as required)

INTEROFFICE MEMORANDUM

TO: ROSEMARY ROMERO, CHAIR OF THE NCRTD BOARD AND BOARD MEMBERS

FROM: ANTHONY J. MORTILLARO, CONSULTANT

SUBJECT: REVIEW OF COST ALLOCATION OPTIONS FROM APRIL 15TH FINANCE SUBCOMMITTEE MEETING

DATE: 4/29/2011

CC:

As discussed at the April 15, 2011 Finance and Consolidation Subcommittee meeting, I undertook an analysis of the two options that were of interest to the Board Members in attendance. Those options were the Proposed Alternative Consolidated NCRTD GRT funding allocation methodology proposed by Los Alamos County and Option 5 that was presented as an additional option. Following is a summary of both options:

Los Alamos County Option:

As proposed this option would provide for the funding of Board approved service plans for regional routes provided by LAC, Santa Fe Trails and the NCRTD by annually allocating NCRTD GRT through a percentage formula. The percentage formula would provide for the following based upon FY 12 projected revenues:

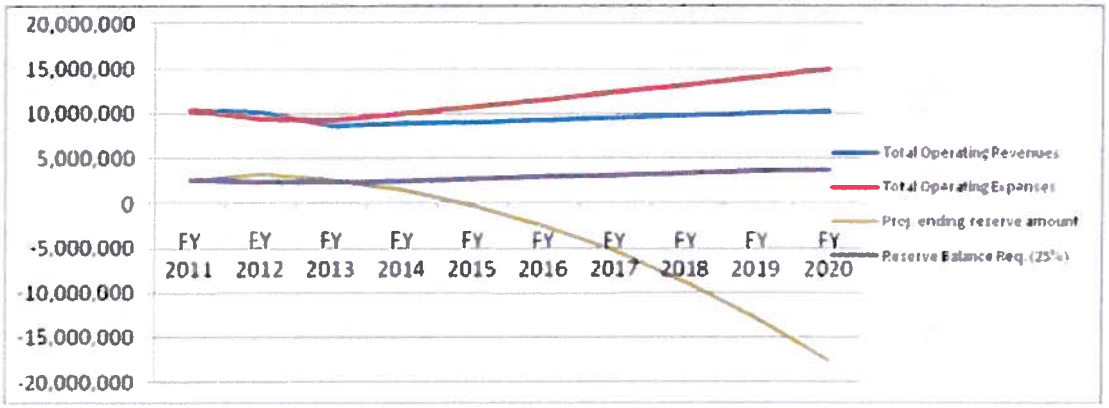
Entity	Percentage of Total	FY 12 Projected NCRTD GRT $7,075,929
Los Alamos County	20%	$1,415,186 (inclusive of capital allocation)
Santa Fe City	14%	$990,630
NCRTD (Santa Fe County, Rio Arriba County and Taos County)	40%	$2,830,372
Rail Runner	26%	$1,839,742

Los Alamos County also provided a analysis reflecting the percentage of NCRTD GRT generated from each particular County that collects the transit tax for the District. Following is the calculation provided by LAC:

Entity	NCRTD GRT FY 2011 Budget Estimate $6,769,412	Percentage of Source
Los Alamos County	$2,000,000	30%
Santa Fe County (Rail Runner to receive 50% of funds generated in SF County)	$3,548,688	52%
Taos County	$705,286	10%
Rio Arriba County	$515,438	8%

Attachment #1 is a projection of NCRTD GRT anticipated to be generated by County for the next 10 year period. This projection then simply escalates each county by 3% starting in FY 2013. The following graph of the Long Term Financial Plan indicates that the expenses will begin to exceed revenues commencing in FY 2013 and will continue to do so through FY 2020. In addition, the reserve balance will need to be utilized in FY 2013 to balance the budget. After FY 2013 funds will not be sufficient to maintain the reserve balance as required by DFA or Board Policy. As such expenses will need to be reduced and/or revenues increased.

Consolidated Budget Percentage Based Allocation Proposed by LAC



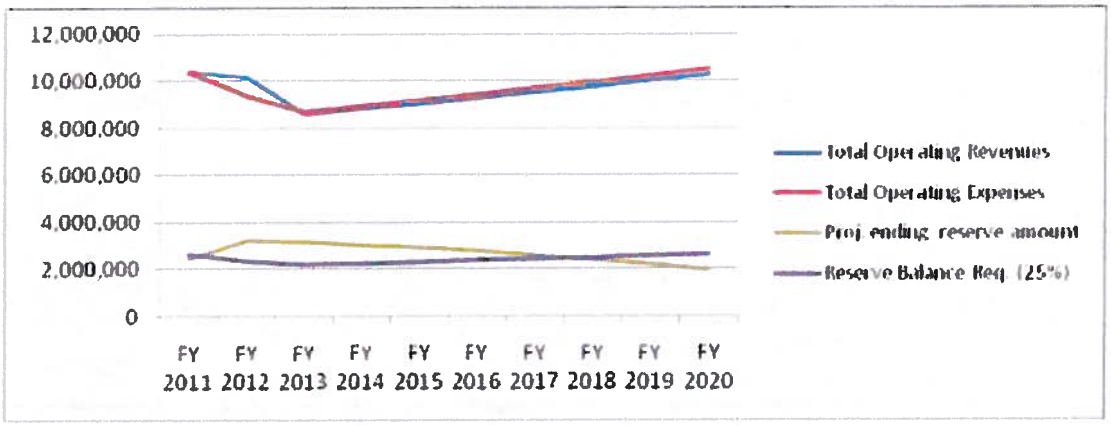
Option 5 Regional Routes Funded Allocation Method:

This status quo methodology allows for the current estimated costs of each entity using NCRTD GRT to receive the same dollar amount as currently estimated for the provision of regional routes approved in the service plans that were adopted by the Board versus a percentage. The focus of this methodology is the Board approved service plans and those routes within those plans that have been approved as regional and to be funded through the NCRTD GRT. It also retains the current capital set aside per the existing financial policies by setting aside an amount equal to $750,000 for annual capital requests (option A) versus Option B which incorporates the capital allocation directly in LAC's route funding. A method for evaluating and allocating funds for capital requests would need to be developed, so that the staff could then make an allocation recommendation to the Board. However, under option B no such method would be needed since the funds are already incorporated into the LAC allocation. In addition, if any residual GRT tax revenue exists it could also be considered for new regional route requests by the participating entities. Each of these route requests would be evaluated against the recently adopted definition for regional services. Additionally, these route requests would need to be incorporated into the requesting entities yearly service plan. Each entities service plan would require adoption by the NCRTD Board. Adoption of the service plan by the Board does not imply that funding is available or would be allocated to the regional routes contained within the Service Plans. The Board would review the expansion of regional routes annually when the budget is being considered for adoption. Funding for new regional routes would only come from verified re-occurring revenue sources.

Estimated Regional Service Costs	NCRTD*	Los Alamos	Santa Fe	Rail Runner	Capital Set Aside	Total
Option 5-A	$2,295,173	$921,013	$1,256,921	$1,774,344	$750,000	$6,997,451
Option 5-B	$2,295,173	$1,171,013	$1,256,921	$1,774,344	$500,000	$6,997,451

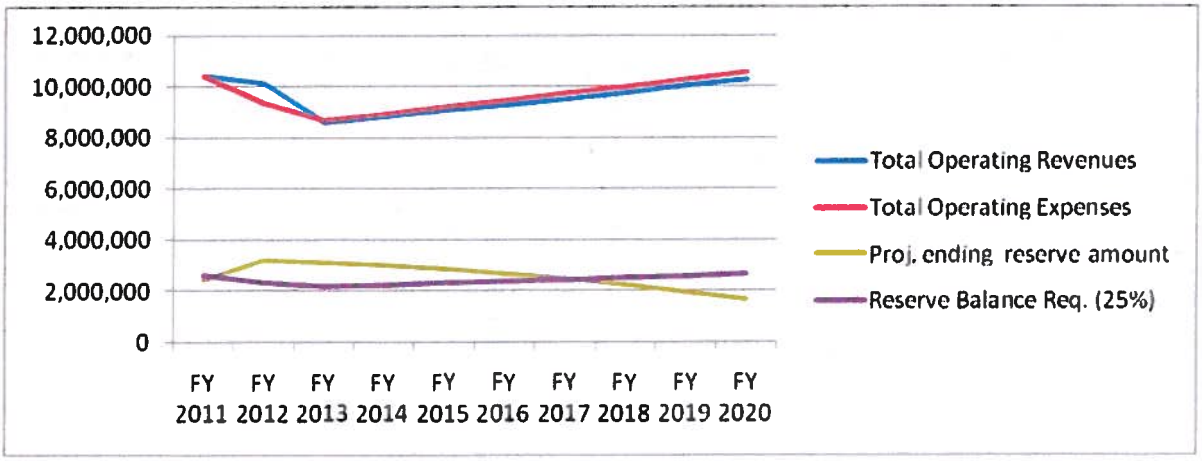
The following graph (Option 5-A) of the Long Term Financial Plan indicates that the expenses will not begin to exceeding revenues until FY 2013 and will continue to do so through FY 2020. However, sufficient funds are built up in the reserve balance which provides for the ability to balance expenses with expenditures without necessitating service reductions or running counter to the DFA or Board reserve requirements until FY 2018. For 2018 through 2020 it is projected that unless reductions in expenditures are made or revenues increased or some combination the reserve balance if utilized to balance the budget will fall below the Board reserve policy but will remain in compliance with DFA requirements.

Consolidated Budget – Regional Route Based Funding – Option 5 - A



The graph for Option 5- B (inclusion of capital into LAC's allocation) of the Long Term Financial Plan indicates that the expenses will not begin to exceeding revenues until FY 2013 and will continue to do so through FY 2020. However, the amount of exceeded is slightly higher than under Option A. However similarly to Option A, sufficient funds are built up in the reserve balance which provides for the ability to balance expenses with expenditures without necessitating service reductions or running counter to the DFA or Board reserve requirements until FY 2018. For 2018 through 2020 it is projected that unless reductions in expenditures are made or revenues increased or some combination the reserve balance if utilized to balance the budget will fall below the Board reserve policy but will remain in compliance with DFA requirements.

Consolidated Budget – Regional Route Based Funding – Option 5 – B



Recommendation:

1. **For the FY 2012 Budget** it is recommended that the Los Alamos County proposed percentage based formula be used to calculate the fixed amount to be budgeted for Los Alamos County, City of Santa Fe and the Regional Transit District which includes (Santa Fe County, Rio Arriba County and Taos County). As listed in the following chart:

Entity	Percentage of Total	FY 12 Projected NCRTD GRT $7,075,929
Los Alamos County	20%	$1,415,186 (inclusive of capital allocation)
City of Santa Fe	14%	$990,630
NCRTD **(Santa Fe County, Rio Arriba County and Taos County)**	40%	$2,830,372
Rail Runner	26%	$1,839,742

2. It is further recommended that the use of the Los Alamos County calculation **only be adopted for FY 2012 Budget.**

3. It is **recommended that the further discussions occur** regarding a static allocation methodology to address the estimated deficit in the Long Term Financial Plan for FY 2013 through FY 2020. It is suggested that this methodology be considered in the context of the Long Term Financial Plan and that adoption be considered by the Board no later than December 2011 and in advance of preparation of a proposed FY 2013 Budget. Accompanying this Long Term Financial Plan will be the revised financial policies for Board consideration.

4. It is **further recommended that a task force or expansion of the sub-committee** to include staff of regional entities to participate in discussion and final recommendation of the District's Long Term Financial Plan. The following dates coincide with normal, and projected Finance sub-committee dates for staff, board, and consultant to work through assumptions and obtain a greater familiarization of the effects of the 10 year financial projections and future allocations. Dates for meetings: August 19, September 16, October 21, November 18 and consideration of adoption at the December 2, 2011 Board Meeting.

Year	Rio Arriba	Taos	Los Alamos	Santa Fe	Annual Total	NCRTD GRT without CMRR 4/18/11
2012	568,528	745,391	2,213,322	3,548,688	7,075,929	
2013	585,584	767,753	2,279,722	3,655,149	7,288,207	
2014	603,151	790,785	2,348,113	3,764,803	7,506,853	
2015	621,246	814,509	2,418,557	3,877,747	7,732,059	
2016	639,883	838,944	2,491,113	3,994,080	7,964,020	
2017	659,080	864,112	2,565,847	4,113,902	8,202,941	
2018	678,852	890,036	2,642,822	4,237,319	8,449,029	
2019	699,218	916,737	2,722,107	4,364,439	8,702,500	
2020	720,194	944,239	2,803,770	4,495,372	8,963,575	
Total	5,775,736	7,572,506	22,485,373	36,051,498	71,885,114	
	3%	3%	3%	3%		
	20%	26%		14%		
LAC		Rail Runner		Santa Fe	Contractual GRT	
1,415,186		1,839,742		990,630	4,245,557	
1,457,641		1,894,934		1,020,349	4,372,924	
1,501,371		1,951,782		1,050,959	4,504,112	
1,546,412		2,010,335		1,082,488	4,639,235	
1,592,804		2,070,645		1,114,963	4,778,412	
1,640,588		2,132,765		1,148,412	4,921,765	
1,689,806		2,196,748		1,182,864	5,069,418	
1,740,500		2,262,650		1,218,350	5,221,500	
1,792,715		2,330,530		1,254,901	5,378,145	
					-	
					43,131,068	

NCRTD Finance Sub-Committee
April 15, 2011

Consolidated Budget Discussion – Los Alamos Proposal

NCRTD Consolidated Budget

- What we are proposing – put the elephant on the table!
  - Directly discuss reducing Los Alamos GRT allocation to balance RTD's ongoing budget rather than hide the issue in calculations that are impossible to verify at this point.
- Why are we proposing it?

  To make the consolidated budget that:
  - Simplifies the financial process
  - Creates administrative efficiencies for all
  - Is an uncomplicated method to balance and plan budgets
  - Justifies and formalizes the allocations
  - Most importantly – provides a regional perspective by pooling Los Alamos County's portion of GRT into a larger pot

NCRTD Consolidated Budget

- Goals we believe NCRTD want to accomplish:
  - Make up for the Los Alamos Progress Through Partnering Contribution reduction
- Why the calculations need to be simple and easier to understand:
  - Blending-3 different sets of data into one model and ensuring the numbers behind the reporting is consistent is complicated - requiring technical expertise of Board Members and contrary to the "simplicity" goal
  - Cost allocation is an industry standard method for measuring performance and should ultimately result in the Board setting cost allocation goals for all GRT funded routes; however the NCRTD only recently adopted the Cost Allocations method of tracking and reporting. The calculations are not yet proven nor have adequate historical data. Performance should be evaluated as a separate issue either quarterly or semi-annually over the upcoming year for all GRT funded routes.

NCRTD Consolidated Budget

- The Bottom Line:
  - Los Alamos has included $600K in the FY12 Budget to fulfill the past commitment of $1.1M annually for five years. $500K was paid in advance and $600K is the remaining balance in this final year of the commitment. The Los Alamos County Budget is scheduled for adoption on May 3, 2011.
  - This $600K was not included or considered in the NCRTD financial planning.
  - Los Alamos is open to reducing GRT amounts from past years; but existing GRT funded routes and past promises to voters must remain whole.
  - Allocations should be distributed based on actual GRT funding, not projected GRT, to be consistent with Rail Runner funding and the Santa Fe County funding resolution.

NCRTD Consolidated Budget

- This topic will have to be evaluated again next year when the Los Alamos Progress through Partnering funding may change again; and NCRTD financial and administrative performance can better be evaluated. We believe progress has been made but there are necessary improvements and accountabilities yet to be established or proven.
- We need a funding methodology we can all understand – funding decisions are difficult as it is!
- Thank you for your consideration.

NCRTD FY 2012 Proposed Budget
Proposed Alternative Consolidated RT GRT Funding Allocation Methodology

NCRTD FY 2011 Budget - alternate 1

	RT GRT Source	% Source	RT GRT Allocation	% Allocation
NCRTD			2,688,293	40%
Taos County	$ 705,286	10%		
Rio Arriba County	515,438	8%		
Los Alamos County	2,000,000	30%	1,354,000	20%
Santa Fe County	3,548,688	52%	952,775	14%
Rail Runner			1,774,344	26%
Totals	$ 6,769,412	100%	6,769,412	100%